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## FISCAL IMPACT REPORT

**BILL NUMBER:** Senate Bill 175

**SHORT TITLE:** Medical Malpractice Punitive Damages

**SPONSOR:** Brandt/Tobiassen/Wilson

**LAST ORIGINAL**  
**UPDATE:** \_\_\_\_\_ **DATE:** 2/17/2026 **ANALYST:** Esquibel

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
OSI		Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	Patient's compensation fund

Parentheses ( ) indicate expenditure decreases.  
\*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 99 and Senate Bill 247

### Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Administrative Office of the Courts  
New Mexico Medical Board  
Office of Superintendent of Insurance

Agency or Agencies That Were Asked for Analysis but did not Respond

Attorney General's Office  
Burrell College of Osteopathy  
Miners' Hospital of New Mexico  
New Mexico Hospital Association  
New Mexico Medical Society

Agency or Agencies That Declined to Respond

Administrative Office of the Courts

## SUMMARY

### Synopsis of Senate Bill 175

Senate Bill 175 (SB175) would amend the Medical Malpractice Act to eliminate punitive (exemplary) damages in all medical malpractice cases. The bill repeals existing statutory language that allowed punitive damages against healthcare providers and replaces it with a new provision that expressly prohibits any award of punitive or exemplary damages in malpractice claims, regardless of the source of payment. Compensatory damages for medical care and related

benefits remain unchanged and are still governed by existing liability and fund provisions.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

## FISCAL IMPLICATIONS

The Office of Superintendent of Insurance reports under the provisions of the bill there would not be immediate medical malpractice premium reductions because punitive damages are not paid by medical malpractice insurance carriers or the patient's compensation fund (PCF). The long-term fiscal impact of the bill would likely be reduced settlement counts and values because the threat of punitive damages would no longer influence settlement decisions.

## SIGNIFICANT ISSUES

The Office of Superintendent of Insurance states the long-term impact of the bill would likely be reduced settlement counts and values as the threat of punitive damages would no longer influence settlement decisions.

## PERFORMANCE IMPLICATIONS

From the University of New Mexico Health Sciences Center:

As the state's primary academic health system, the UNM Health System trains medical residents and fellows, medical students, pharmacy students, and nursing students. The system supports policies that promote a stable health care environment and expand access to care for New Mexicans, including measures that help reduce workforce shortages across health professions.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 175 relates to House Bill 99, Medical Malpractice Changes, and Senate Bill 247, New Mexico Medical Review Commission Report.

## OTHER SUBSTANTIVE ISSUES

**Workforce Shortages.** New Mexico continues to face a critical, chronic shortage of health professionals across the disciplines, particularly in rural areas. Thirty-two of 33 New Mexico counties are designated as health professional shortage areas (HPSAs) in primary care, behavioral health, dental health, or a combination of the three. On average, New Mexico needs at least an additional 5,000 healthcare workers to address current shortages. In December 2025, according to the Workforce Solutions Department, 69 percent of online job postings were for health and personal care and 15 percent of those were postings for physicians.

**Medical Malpractice Research.** According to the New Mexico Medical Society's information associated with House Bill 99, New Mexico has some of the highest numbers of medical malpractice lawsuits in the country and medical malpractice premiums are significantly higher in New Mexico compared with other states. The New Mexico Hospital Association previously stated that hospitals across the state have seen increases in malpractice plan premiums

in the past four years and punitive damages have grown, potentially affecting fiscal solvency for smaller hospitals. In response to a proposed bill during the 2025 session, the Department of Health noted many states have changed their medical malpractice laws to reduce the cost of malpractice insurance. Malpractice insurance rate increases and lack of access to medical malpractice insurance may disproportionately impact smaller, independent medical providers who often serve in rural, underserved communities.

New Mexico's medical malpractice cap limitations are higher than two out of three neighboring states. Research is mixed on the impact of tort reform on physician supply, with many articles showing a correlation between high medical malpractice and reduced physician supply. However, studies of states that implemented tort reform have seen varied impacts on physician supply. New Mexico recently changed its medical malpractice laws, allowing for claims up to \$4 million against hospitals and outpatient facilities. This cap will increase to \$6 million in 2026. Meanwhile Colorado, Texas, and other states have lower caps on medical malpractice, while Arizona has no limitations.

***Punitive Damages.*** An LFC survey found that 65 percent of New Mexico physicians surveyed are currently considering leaving the state to practice elsewhere. Of New Mexican physicians who are considering leaving the state, 83 percent reported the cause as punitive damages associated with medical malpractice—the most picked option—with 76 percent citing medical malpractice and 51 percent citing quality of life and compensation.

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